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Foreign Agricultural
Economic Report
Number 196

Honduras

An Export Market Profile

H. Christine Bolling

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USA

EXPORTS

SEP 5 '84

U.S. DEPT. OF AGRICULTURE
FOREIGN ECONOMIC SERVICE

Ship to:
HONDURAS

Honduras: An Export Market Profile. By H. Christine Bolling; International Economics Division, Economic Research Service, U.S. Department of Agriculture. Foreign Agricultural Economic Report No. 196.

Abstract

Honduras, a modest but steady consumer of U.S. agricultural goods, may purchase \$75 million of U.S. farm products by 1990. That would be up from only \$51 million in 1980, a year in which the United States exported more than \$41 billion of agricultural commodities worldwide. Honduras increased farm imports throughout the seventies because of population growth rather than an expanding economy. The poorest country in Central America, Honduras will likely continue to have slow economic growth and a rising external debt in the eighties. This will blunt additional increases in U.S. agricultural imports.

Keywords: Honduras, agricultural imports, population, income, import and production policies, major commodities.

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Preface

Expanding the markets for U.S. agricultural exports is a major goal of the U.S. Department of Agriculture (USDA). In support of this goal, the Economic Research Service (ERS) in cooperation with the Foreign Agricultural Service is preparing export market profiles for a number of high potential markets for U.S. agricultural products. ERS is the Department's major source of agricultural and trade information on foreign countries, while the Foreign Agricultural Service has the key role in helping U.S. agriculture further increase exports in world markets.

Profiles are being prepared for selected markets in Africa and the Middle East, Asia, and Latin America. This report presents information and analysis on the prospects for U.S. agricultural exports to Honduras. The study surveys the basic factors underlying agricultural supply and demand, presents longrun projections of food and agricultural trade, and suggests opportunities for export expansion. The report is intended for use by officials responsible for export market development, the agribusiness community, and the general public. This profile will help identify gaps in the data and can serve as a base resource for subsequent evaluations of the impacts of market expansion activities.

In October 1982, a team of nine agricultural and economic experts from the United States was sent to Honduras by President Reagan to study the Honduras agricultural sector. This report is an expansion of the preliminary report prepared for that team.

Acknowledgments

The author gratefully acknowledges the following agricultural economists for helpful reviews and comments: Charles Hanrahan and Gene Mathia, Deputy Directors, International Economics Division, Economic Research Service; Oswald Blaich, Branch Chief, and David Peacock, Section Leader, Latin America Branch; and Ed Rossmiller, David Ingersol, and numerous other persons in the Foreign Agricultural Service. The author also wishes to thank Earline Broadus, Dee Midgette, Linda Turner, and Delores Riley for their assistance in the preparation of this paper.

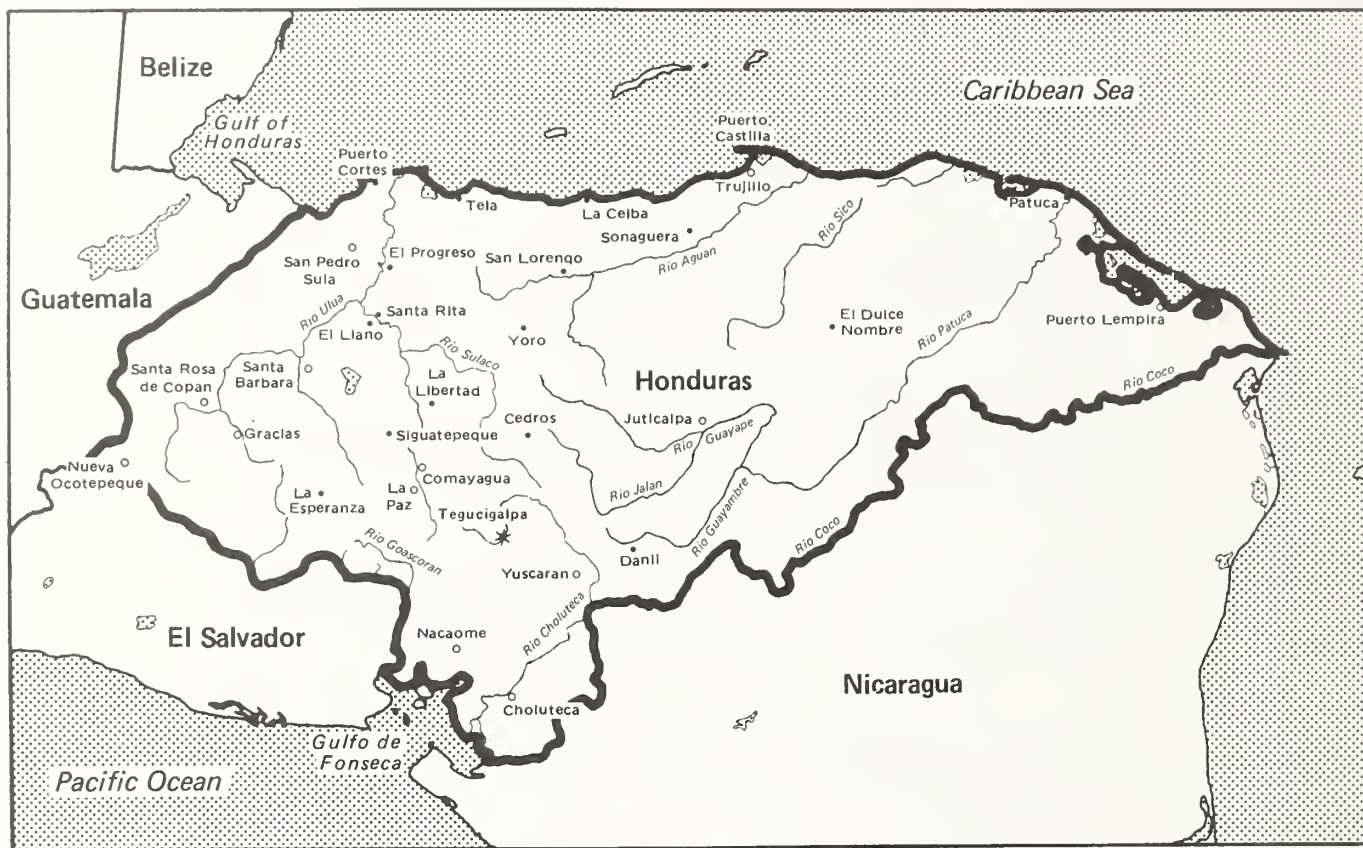
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Summary

Food production in Honduras has not quite kept pace with the growing demand of its people. Thus, the country has been a modest but steady importer of U.S. agricultural products and may purchase as much as \$75 million of U.S. farm products by 1990, up from the \$51 million of 1980.

- Total agricultural imports of Honduras increased from an average \$22 million in 1969-71 to an average \$91 million in 1979-81 and could top \$130 million by 1990. Wheat and corn imports will expand to 94,000 tons and 45,000 tons, respectively. Oilseed meal, dried milk, and beverage concentrate imports will also increase significantly.
- Honduras is the poorest country in Central America. In 1980 per capita gross domestic product (GDP) was only \$692. This limits imports mostly to basic, traditional foods.
- Population growth during the seventies boosted the demand for agricultural products by nearly 3 percent a year, a trend that is expected to continue. The total population has reached 3.8 million, and its growth will be the main reason for increased farm product demand in the eighties.
- Per capita real income helped somewhat to increase imports in the seventies. The country experienced substantial real economic growth during the seventies but now struggles with economic stagnation. Honduras's agricultural imports are sensitive to changes in income. A 10-percent change in per capita real income generates a 13-percent change in agricultural imports.
- Honduras's buying power for food in the international market took a sharp downturn in 1980. High debt, a sluggish economy, and low foreign exchange reserves all contributed. The latter has had a limited impact in the past. Within the limits of what might be considered an adequate reserve, each 10-percent change in these reserves results in a less-than-1-percent fall in farm imports.



Conversion chart

This report uses metric units throughout. Metric tons will be referred to as "tons."

1 metric ton = 2,204.62 pounds

1 kilogram = 2.2046 pounds

1 hectare = 2.471 acres

1 lempira = 50 cents (U.S.)

HONDURAS: AN EXPORT MARKET PROFILE

H. Christine Bolling

Introduction

Honduras is a small but growing market for U.S. agricultural products. The country imports less than 10 percent of its food, and 60 percent of that comes from the United States. Imports from the United States reached \$51 million in 1980 compared with less than \$4 million in 1970 and could hit \$75 million by 1990.

This study focuses on a market that has some potential for growth, examines some of the major factors that have generated growth during the sixties and seventies, analyzes the country's external purchasing power as affected by prices and changes in foreign reserves, and explores the role of food aid.

This analysis determines the import potential for U.S. farm products to 1990, particularly grains, oilseed products, and processed foods. It also identifies some problems that could limit U.S. exports and the need for a concerted market development effort.

The General Economy

Economic climate, population growth, and the capability to produce food are the major determinants of food import potential. Because per capita real income as measured by gross domestic product (GDP) is expected to be limited, the growth in food imports during the eighties will be driven mostly by population growth.

Population

The population has increased about 3 percent per annum since 1970. Today there are nearly 4 million people, and the growth is expected to continue at a similar rate so that in 1990 the population will be about 5 million (table 1). At the same time, the population is moving away from the rural areas. The urban population grew from 679,000 (27 percent of the total) in 1970 to 1.3 million (36 percent) in 1980. This has

reduced the number of families who produce some of their own food and changes the kind of food that is consumed. Both population growth and urbanization tend to enhance imports.

Income

Honduras is expected to show virtually no per capita income growth through the mideighties. This sharply contrasts with the rapid growth of the late seventies. Moreover, Honduras is the poorest country in Central America. In 1980 per capita GDP was only \$692 (1,384 lempiras), the lowest in the region. In 1970 terms, this represented only \$463 per person. Agriculture accounts for about 27 percent of the real GDP, manufacturing 15 percent, and trade and finance another 11 percent. Construction and utilities, which make up the remaining share, have been the major growth industries, while agriculture's share of GDP has declined slightly since 1970 (table 2). While overall income grew, the share of private consumption expenditures slipped from 75 percent to 67 percent during the seventies when public sector investments grew more rapidly.

Poverty limits consumption possibilities of most foods other than the basic staples. Fifty percent of the population earns less than 15 percent of the national income and spends nearly all of it on food. Electricity is available to only 22 percent of the population, mainly in urban centers, and only 50 percent has access to safe drinking water. This, coupled with a 60-percent literacy rate, limits market development possibilities. The top 2 percent of the population earns 16 percent of the income and could be a target for high-value products and increased use of U.S. farm products.

To hold per capita purchasing power at the current level through 1990, real GDP must grow at least 3 percent a year. This does not appear likely until after 1985 because it would be a substantial recovery from

Table 1—Major economic indicators

| Item | Unit | Average | | 1982 | Projected | |
|--|----------------|---------|---------|-------|-----------|--------|
| | | 1969-71 | 1979-81 | | 1985 | 1990 |
| Gross domestic product | 1,000 lempiras | 1,448 | 4,862 | 5,485 | 8,261 | 15,516 |
| Population | Millions | 2.64 | 3.69 | 3.96 | 4.37 | 5.07 |
| Consumer price index | 1970=100 | 130 | 262 | 288 | 411 | 661 |
| Real gross domestic income | 1970 lempiras | 1,113 | 1,855 | 1,905 | 2,009 | 2,347 |
| Real per capita gross domestic product | 1970 lempiras | 422 | 503 | 481 | 460 | 463 |

Table 2—Composition of gross domestic product by industrial origin (in 1966 lempiras)

| Sector | Average | | 1982 |
|--|---------|---------|------|
| | 1969-71 | 1979-81 | |
| Percent | | | |
| Agriculture, forestry, fisheries, and hunting | 34 | 26 | 27 |
| Mining | 2 | 2 | 2 |
| Construction | 4 | 4 | 4 |
| Manufacturing | 12 | 15 | 15 |
| Electricity, gas, and water | 1 | 2 | 2 |
| Transportation and communication | 6 | 6 | 6 |
| Trade | 12 | 11 | 11 |
| Banking, insurance, and real estate | 2 | 4 | 4 |
| Ownership of dwellings | 7 | 7 | 7 |
| Services | 8 | 10 | 10 |
| Public administration defense | 3 | 4 | 4 |
| Indirect taxes | 9 | 12 | 11 |
| Total GDP | 100 | 100 | 100 |

the current no-growth economy. However, rapid economic growth is not unknown in Honduras. The country experienced a yearly growth rate of 10 percent as recently as the late seventies. Such growth may again be possible after the middle of this decade.

Overall prices have more than doubled since 1970, and inflation continues to be a problem. In 1981 inflation ran about 10 percent, following a 16-percent rise in 1980 (table 3). Also since 1970, prices of imported foods have increased faster than most domestic food prices and the general consumer price index for the country (table 3).

Table 3—Selected price indexes

| Item | 1970 | 1979 | 1980 |
|-------------------------|-------|-------|-------|
| <i>1966=100</i> | | | |
| Food | 110.2 | 212.8 | 253.6 |
| Housing | 108.4 | 185.3 | 212.1 |
| Clothing | 109.6 | 184.6 | 235.3 |
| Health | 106.9 | 160.6 | 190.7 |
| Personal care | 111.2 | 195.2 | 228.7 |
| Beverages and tobacco | 112.7 | 177.9 | 230.6 |
| Miscellaneous | 104.5 | 156.3 | 176.8 |
| General consumer prices | 109.1 | 193.1 | 229.4 |
| <i>1960=100</i> | | | |
| Imported food | 125.0 | 253.0 | 307.0 |

Source: (15).¹

Domestic food prices are expected to increase at a slower rate than imported food prices through the early eighties because overall inflation is assumed to be less than 10 percent a year.

Import Purchasing Power

Buying power for food in the international market took a sharp downturn in 1980 when world prices for Honduran primary product exports declined sharply and imports of nonfood items were not reduced to adjust for the decrease (table 4). The large negative trade balance of \$121.5 million in 1980 more than dampened the effect of the increase in foreign capital infusions.

¹Italicized numbers in parentheses refer to items listed in the References section at the end of this report.

Table 4—Balance of payments

| Item | Average 1979-81 ¹ | 1982 | Projected | |
|-------------------------------|---------------------------------|------|-----------|------|
| | | | 1985 | 1990 |
| <i>Million dollars</i> | | | | |
| Outlays of foreign exchange: | | | | |
| Agricultural imports, f.o.b. | 91 | 100 | 110 | 130 |
| Nonagricultural imports | 743 | 450 | 600 | 800 |
| Debt payment as of Dec. 1981 | 127 | 182 | 141 | 130 |
| Debt payment after Dec. 1981 | 0 | 0 | 100 | 200 |
| Other net outlays | 207 | 200 | 200 | 200 |
| Earnings of foreign exchange: | | | | |
| Agricultural exports | 601 | 500 | 750 | 850 |
| Coffee | 200 | 100 | 200 | 250 |
| Bananas | 210 | 200 | 300 | 325 |
| Beef | 61 | 30 | 92 | 120 |
| Nonagricultural exports | 181 | 160 | 180 | 225 |
| Wood | 39 | 50 | 60 | 75 |
| Net transfers | 21 | 26 | 30 | 35 |
| Direct investment | 17 | 15 | 30 | 35 |
| New borrowings | 348 | 231 | 161 | 315 |

¹1979-80 average.

Today the country suffers severe shortages of foreign exchange and is unable to get sufficient credit because of a general lack of confidence among international lenders. This attitude was hardened in 1981 when the Banco Financiero Hondureño collapsed and defaulted on its foreign commitments. As in other Central American countries, capital is dwindling. Honduras's growing debt repayment schedule reached \$182 million due in 1982, totaling about 16 percent of its exports of goods and services and 5 percent of its GNP.

The net effect was that foreign reserves in 1982 dropped to \$112 million from the \$209 million of 1979 and \$150 million of 1980. This was enough for about 1.2 months of total imports or 11 months of food imports. Honduras has run negative trade balances since 1974 when the cost of petroleum imports began to mount. Large trade deficits will probably continue. In 1980 15 percent of total imports was petroleum compared with 5 percent in 1970. Despite these problems, the official currency exchange rate has remained tied to U.S. currency at 2 lempiras per dollar since 1931.

Bananas, coffee, and frozen beef continued to be the largest export earners for Honduras into the eighties (9). Agricultural exports will make up nearly 75 percent of total exports as they did in 1982.

Because these commodities strongly influence export earnings and total GDP, what happens to them becomes a measure of the country's general economic well-being. Through most of the seventies, real prices of these commodities were on the upswing and producers responded (table 5). Beef suffered a substantial drop in 1981, when prices fell below their 1979 levels; coffee prices were below the levels reached in 1977; and bananas about matched the 1981 mark. The prices of the principal nonagricultural foreign exchange earners (lumber, lead, zinc, and shrimp) also fell.

To maintain even the low level of foreign reserves of 1981, Honduras will need to increase its borrowings through 1990. Without some downward adjustment in the rate increase of imports or some increase in the growth of export earnings, the country will have to borrow \$161 million a year by 1985 and \$315 million by 1990 just to balance its external accounts. If these new loans can be made repayable over 10 years and with less than 10-percent interest, the country's external debt service at that time would still be about 30 percent of its foreign exchange earnings—a modest amount by today's standards.

Table 5—Indexes of international commodity prices

| Year | Beef | Coffee | Bananas | Crude oil | Honduras CPI |
|-----------------|------|--------|---------|-----------|-----------------|
| <i>1975=100</i> | | | | | |
| 1970 | 73 | 87 | 60 | 16 | 74 |
| 1971 | 76 | 78 | 58 | 20 | 75 |
| 1972 | 82 | 72 | 63 | 22 | 79 |
| 1973 | 103 | 102 | 67 | 33 | 83 |
| 1974 | 119 | 118 | 73 | 93 | 94 |
| 1975 | 100 | 100 | 100 | 100 | 100 |
| 1976 | 113 | 196 | 137 | 104 | 105 |
| 1977 | 113 | 406 | 208 | 114 | 114 |
| 1978 | 157 | 315 | 190 | 114 | 121 |
| 1979 | 186 | 255 | 181 | 154 | 136 |
| 1980 | 195 | 308 | 208 | 253 | 157 |
| 1981 | 177 | 216 | 185 | 293 | 173 |

Source: (5).

Agricultural Production

Although the agricultural sector provides about 90 percent of the nation's food supply, domestic food production has never quite caught up with food needs. Honduras is an agricultural country, depending on farm products as a major source of income (one-fourth), employment (two-thirds), and exports (three-quarters). Agriculture has a dual economy comprised of export production, which is often controlled by foreign companies, and a food crop sector comprised largely of small privately operated farms.

Sugarcane, coffee, bananas, corn, and cattle dominate the farm economy. Over half the output, by value, is for export. Grass-fed beef accounts for one-fourth of the value of agricultural production, while corn, beans, and other crops make up one-fifth. Corn is planted on about one-half the arable land, and most of it is used for food.

The Structure of Agriculture

Sixty-three percent of the work force is employed in agriculture on small farms, and the workers use mostly primitive methods. About 78 percent of the farmers tend 10 hectares or less on 17 percent of the farmed area. At the other extreme, 7,000 farms span more than 350 hectares each, occupying nearly 30 percent of the farmland.

Corn and beans are the staples produced on small farms. About 40 percent is produced on farms of less than 5 hectares, and about 70 percent of both crops comes from farms with less than 20 hectares.

Agriculture differs in the five geographical regions. In central and western Honduras, the terrain is mountainous and used mainly for timber, cattle, and coffee. On the northeastern coastal plain, with its humid tropical climate, poor soils, and low population density, the land is used mostly for cattle raising. The southern coastal plain, where production is low, has a long dry season and limited water resources. The central valleys have moderate supplies of water and are relatively fertile. The northwestern valleys and coastal plains, where the banana plantations are located, have the most productive soils.

Overall, the country does not have much arable land (table 6). Only 15 percent supports cultivated crops, and another 30 percent is in permanent pasture. Apart from the valleys, soils are generally shallow and lack nitrogen and phosphorous.

The natural resources, although limited, have a potential for increasing agricultural output. Modern technology is not widely applied, and few modern inputs are used, especially among food crop farmers. Export crops, such as bananas, tobacco, sugarcane, citrus, cotton, and coffee use modern production and marketing techniques intensively. Fertilizer use has expanded, but remains low countrywide. Total fertilizer use in the country increased only from 51,000 tons in the early seventies to 62,000 tons in the early eighties. Farmers increased some areas planted to crops, so fertilizer use rose only slightly per hectare.

Bananas, sugarcane, and to a lesser degree tobacco, cotton, and vegetables are irrigated though far below potential. Only 5 percent of the arable land is irrigated. Additional irrigation is being considered in a number of valleys including Guayape and Aguan, but no firm plans have been developed.

Shifting land from low- to high-value products is under study to raise the value of agricultural output. Only about 28 percent of the land suitable for high-value crops, such as sugar and rice, is used in this way. Farmers grow perennial crops on 18 percent of the land. Only sporadic efforts have improved the quality of seed, livestock, and farming practices in the food production sector.

Table 6—Land use

| Land category | Average | |
|-----------------------|---------|---------|
| | 1969-71 | 1979-81 |
| <i>1,000 hectares</i> | | |
| Total land area | 11,189 | 11,189 |
| Cropland | 1,380 | 1,560 |
| Permanent crops | 158 | 197 |
| Permanent pasture | 3,400 | 3,400 |
| Forest and woodland | 4,880 | 1,972 |
| Other | 1,371 | 1,972 |
| Irrigated land | 69 | 80 |

Source: (2).

Efforts are underway to improve administration, organization, and training in the Ministry of Natural Resources, the National Agricultural Development Bank (BANADESA), and the Agrarian Reform Institute (INA). All three have a primary responsibility to improve output from the agricultural sector. The ministry handles animal health, plant quarantine, research, extension, some input services, and project preparation. BANADESA is the largest commercial lender to small-scale farmers, although 80 percent still get most of their credit from private individuals. INA is responsible for implementing the land reform program, settling land disputes, granting titles, and providing guidance to agrarian-reform farmers until they achieve full competitive status and gain title to their land.

Several other agencies deal in specific areas. The Banana Corporation promotes the development of banana varieties and participates in their production, marketing, and transport. The agency plans to invest about \$100 million for reviving banana production which was reduced in 1974 by Hurricane Fifi. During 1981-85 the agency hopes to plant 12,000 new acres and to raise production to the pre-1974 level of about 1.5 million tons.

The Honduran Coffee Institute supports coffee farmers and more recently has begun a program of diversification. It is a semiautonomous Government agency which provides technical assistance, credit, and other inputs to coffee farmers. It also handles road construction in coffee areas. Programs are being considered to control coffee rust, improve coffee yields, and encourage crop diversification to include rubber, citrus, macadamia, cardamom, pimiento, and honey.

Another semiautonomous Government agency, Honduran Agricultural Marketing Institute (IHMA), was established in 1978 to support prices, build storage facilities, and improve marketing of basic grains, such as corn, beans, and rice. The agency buys as much grain as possible at the support price and resells it on the local market, often at a loss. In 1981 the price of corn was set 45 percent higher than the U.S. price at the U.S. Gulf. The price of sorghum was similarly high. However, the price of rice was set at only 60 percent of the Gulf quote.

Production and Policy Trends in the Eighties

Agricultural production has increased 41 percent since 1970 (table 7). However, the growth varied substantially from product to product. For example, rice production quadrupled, but corn production grew very little. Beef production increased 60 percent, and milk production rose 36 percent. Poultry production increased more than 250 percent.

Growth occurred mostly because of expanded crop area (table 8). The area of arable land and permanent tree crops increased 14 percent during the seventies. Corn, sugarcane, and coffee areas have expanded significantly, and rice area tripled but is a very small part of the total cropland base.

In its 5-year agricultural program, one of the Government's main goals was to increase the production of basic grains and beans in the hope of reaching self-sufficiency and possibly a surplus for export. Increasing the price of basic foods was an important element in

Table 7—Agricultural production for domestic and export use

| Commodity | Average | | 1982 | Projected | |
|---------------|---------|---------|-------|-----------|-------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| 1,000 tons | | | | | |
| Domestic use: | | | | | |
| Paddy rice | 8 | 57 | 68 | 77 | 88 |
| Corn | 345 | 353 | 380 | 390 | 415 |
| Sorghum | 47 | 43 | 51 | 55 | 60 |
| Dry beans | 55 | 37 | 45 | 50 | 50 |
| Beef and veal | 32 | 58 | 57 | 63 | 71 |
| Pork | 5 | 11 | 11 | 13 | 15 |
| Milk | 150 | 207 | 210 | 220 | 260 |
| Eggs | 15 | 30 | 32 | 35 | 40 |
| Poultry | 4 | 11 | 14 | 17 | 20 |
| Export use: | | | | | |
| Sugar, raw | 54 | 177 | 218 | 250 | 260 |
| Tobacco | 2 | 8 | 5 | 5 | 5 |
| Cotton | 4 | 7 | 6 | 5 | 5 |
| Cottonseed | 8 | 12 | 10 | 8 | 7 |
| Bananas | 1,360 | 1,392 | 1,300 | 1,400 | 1,480 |
| Coffee | 38 | 79 | 80 | 70 | 80 |
| Export cattle | 10 | 53 | 5 | 5 | 5 |

Source: (11).

Table 8—Area harvested

| Crop area harvested | Average | | 1982 | Projected | |
|------------------------|---------|---------|------|-----------|------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| 1,000 hectares | | | | | |
| Rice | 7 | 21 | 23 | 26 | 29 |
| Corn | 281 | 343 | 341 | 348 | 370 |
| Sorghum | 33 | 60 | 56 | 60 | 65 |
| Dry beans | 74 | 77 | 75 | 83 | 83 |
| Sugarcane | 49 | 80 | 80 | 85 | 90 |
| Tobacco | 5 | 6 | 5 | 5 | 5 |
| Cotton | 4 | 9 | 6 | 5 | 5 |
| Cottonseed | 7 | 12 | 7 | 5 | 5 |
| Bananas | 50 | 46 | 40 | 43 | 45 |
| Coffee | 75 | 124 | 124 | 110 | 125 |

Sources: (2, 13).

reaching this goal. As a result, the price of several domestic food crops increased faster than the prices for export crops after 1970 (table 9). Other actions included land titling, improving farm management, strengthening regional offices of all involved institutions, and building grain silos, onfarm storage, and market facilities. The program also promoted fish and banana production, strengthened agricultural research and extension, eradicated cattle and plantain diseases, built small irrigation projects, and developed rural projects.

In 1975 Honduras enacted agrarian legislation to aid its landless rural population of 100,000 persons. Financial support was given to the INA to settle peasants, and credit came from BANADESA. Land distribution slowed after 1976. Over 48,000 persons participated in land reform programs, but only 36,000 remained on the land.

The agrarian reform program currently encompasses several settlement and development projects in La Masica, San Bernado, Guaymas, Puerto Arturo, Ola Monjaras, San Manuel, and Jamastran. The largest effort will colonize the lower Aguan Valley, which is intended for 6,200 families on some 70,000 hectares. The program will provide them with credit, technical assistance, and social services. These projects will focus not only on basic grains but also on diversifying exports and improving rural incomes through production of crops, such as African palm oil, citrus, sesame, melon,

Table 9—Farm prices for selected commodities

| Commodity | 1969 | 1970 | 1971 | 1979 | 1981 |
|---------------------|-------|-------|-------|-------|-------|
| <i>Lempiras/ton</i> | | | | | |
| Domestic food crop: | | | | | |
| Paddy rice | 226 | 225 | 314 | 570 | 550 |
| Corn | 124 | 130 | 116 | 275 | 346 |
| Potatoes | 173 | 180 | 215 | 345 | na |
| Dry beans | 353 | 370 | 290 | 60 | 1,169 |
| Sugarcane | 12 | 12 | 12 | 21 | na |
| Bananas | 130 | 104 | 108 | 128 | na |
| Green coffee | 1,213 | 1,609 | 1,195 | 1,900 | na |

na = not available.

Source: (2).

cocoa, and cashews. Although there has been some external financing, many projects are publicly funded.

Farm Product Demand

The population eats mostly domestically produced food, but imported foods, mainly wheat products and some types of vegetable oils, have become an important part of the national diet (table 10). The Honduran diet is, on the average, calorically adequate by standards of the Food and Agriculture Organization (FAO) of the United Nations. The average Honduran eats about 330 kilograms per year, or 2,100 calories per day.

Consumption Trends

The national diet is heavy in carbohydrates. Corn is eaten at a rate of 75 kilograms per person per year, wheat at 19 kilograms, and rice at 11 kilograms. During the seventies, improved income and urbanization caused shifts in eating habits; corn and bean consumption declined while wheat and rice consumption rose. The four foods are the principal sources of protein as well as carbohydrates. Annually, Hondurans drink about 75 kilograms of milk and eat only 12 kilograms of meat and 5 kilograms of eggs per person. These are the top three livestock-related products. Poultry, despite a fourfold production increase in the seventies, is still eaten at less than 3 kilograms per person per year, the same as pork.

Table 10—Consumption of basic foods

| Commodity | Per capita consumption | | | | | Caloric intake | | | | | Protein intake | | | | |
|----------------------------|------------------------|---------|-----------|------|------|----------------|---------|-----------|-------|-------|----------------|---------|-----------|------|------|
| | Average | | Projected | | 1982 | Average | | Projected | | | Average | | Projected | | |
| | 1969-71 | 1979-81 | 1982 | 1985 | 1990 | 1969-71 | 1979-81 | 1982 | 1985 | 1990 | 1969-71 | 1979-81 | 1982 | 1985 | 1990 |
| | Kilograms/year | | | | | Calories/day | | | | | Grams/day | | | | |
| Wheat | 17.7 | 19.1 | 19.0 | 18.5 | 18.5 | 177 | 191 | 190 | 185 | 185 | 4.6 | 4.9 | 4.9 | 4.8 | 4.8 |
| Corn | 99.9 | 75.1 | 75.2 | 66.0 | 60.0 | 1,000 | 750 | 750 | 660 | 600 | 25.0 | 18.7 | 18.7 | 16.5 | 15.0 |
| Rice | 6.0 | 10.0 | 10.6 | 10.5 | 10.5 | 50 | 108 | 106 | 105 | 105 | 1.0 | 2.1 | 2.0 | 2.1 | 2.1 |
| Dried beans | 14.0 | 8.9 | 10.4 | 10.3 | 9.0 | 126 | 80 | 94 | 93 | 81 | 8.4 | 5.3 | 6.2 | 6.2 | 5.4 |
| Sugar | 17.0 | 29.0 | 32.0 | 32.0 | 32.0 | 170 | 290 | 320 | 320 | 320 | na | na | na | na | na |
| Bananas | 35.9 | 36.3 | 15.6 | 31.1 | 34.1 | 63 | 63 | 27 | 55 | 60 | .7 | .7 | .3 | .4 | .7 |
| Vegetable oils | 2.0 | 4.6 | 5.6 | 6.5 | 6.7 | 48 | 110 | 134 | 154 | 160 | na | na | na | na | na |
| Beef | 5.3 | 6.0 | 6.1 | 6.2 | 6.2 | 21 | 24 | 25 | 25 | 25 | 2.4 | 2.7 | 2.7 | 2.8 | 2.8 |
| Pork | 2.0 | 3.0 | 2.8 | 3.0 | 3.0 | 9 | 13 | 13 | 13 | 13 | .8 | 1.2 | 1.1 | 1.2 | 1.2 |
| Poultry | 1.5 | 2.7 | 2.8 | 3.0 | 3.2 | 6 | 11 | 11 | 12 | 12 | .4 | .8 | .8 | .9 | .9 |
| Eggs | 5.3 | 6.4 | 6.5 | 6.8 | 7.2 | 13 | 16 | 16 | 17 | 18 | 1.4 | 1.7 | 1.8 | 1.8 | 1.9 |
| Milk | 72.0 | 74.0 | 75.0 | 76.0 | 78.0 | 130 | 133 | 135 | 136 | 140 | 7.2 | 7.4 | 7.5 | 7.6 | 7.8 |
| Total calories and protein | na | na | na | na | na | 2,177 | 2,100 | 2,100 | 2,100 | 2,100 | 57.5 | 51.5 | 52 | 53 | 53 |

na = not applicable.

Demand for food will increase mostly from population growth. Income growth is expected to contribute little to food demand or change in dietary patterns in the early eighties. With some resumption of income growth in the late eighties, the per capita demand for wheat products and other foods with a relatively high-income response may show relatively strong growth while corn and rice consumption could decline. In the short run, food consumption patterns are influenced considerably by availability. The country has recently allowed consumer food prices for many commodities to vary rather than to adjust to the supply through imports. This policy is likely to continue.

Food Prices and Policies

Food prices have increased faster than other prices, despite controls and subsidies on the basics. The original price control legislation is Decree 91 of November 1973, which established authority over necessities including flour, bread, sugar, salt, eggs, milk, dry milk, meats, and some others. The decree has been revised periodically, most recently by the Accord 502-81 of December 28, 1981. In this revision, milk, meat, bread, and some less critical items were removed from control to allow prices to be determined by the market. The food price controls were not always effectively enforced, although most of the controlled items registered smaller price increases than other items. Prices of meats, butter, and red beans rose the fastest during the seventies (table 11).

Besides the control program, the Government subsidizes consumers through Government-owned stores (BANASUPRO), where basic food items are priced below local market prices. If an important staple becomes scarce, BANASUPRO has the authority to import the item rather than to allow sharp price increases or the possibility of a black market.

Imports and Import Constraints

Honduras will have a growing need for agricultural imports as increasing population and income expand the demand for foods which the country cannot produce efficiently (table 12).

Import Trends

During the seventies and early eighties, wheat, corn, dried whole milk, and vegetable oils were the major

Table 11—Retail prices for major foods

| Food products | 1970 | 1971 | 1979 | 1980 | 1981 |
|--------------------------|------|------|------|------|------|
| <i>Lempiras/kilogram</i> | | | | | |
| Wheat bread | — | — | — | — | 1.98 |
| Wheat flour | — | 0.65 | — | 1.03 | 1.10 |
| Rice | 0.07 | .85 | 1.52 | 1.61 | 1.56 |
| Macaroni | 1.09 | 1.04 | 1.96 | 1.61 | 1.56 |
| Beef sirloin | 2.04 | 2.35 | 5.67 | 4.71 | 5.94 |
| Pork loin chops | 1.74 | 1.85 | 4.22 | 4.40 | 6.27 |
| Pork shoulder | 2.50 | 2.50 | 4.83 | 5.26 | 6.27 |
| Fresh fish | — | 1.80 | 4.67 | — | 4.40 |
| Margarine | 2.07 | 2.02 | 3.26 | 3.50 | 3.52 |
| Lard | 2.07 | 1.91 | 4.02 | — | — |
| Whole milk: | | | | | |
| Pasturized, bottled | .40 | .40 | .72 | .72 | .72 |
| Butter | 5.40 | 2.59 | — | 6.71 | 7.70 |
| Cheese | 2.76 | 2.57 | — | 5.50 | 5.85 |
| Eggs | .09 | .09 | .12 | .16 | .16 |
| Red beans | .46 | .48 | 1.39 | 1.58 | 2.02 |
| Potatoes | .52 | .61 | 1.00 | 1.21 | 1.21 |
| Onions | — | 1.52 | 1.93 | — | 1.76 |
| Apples | — | — | — | — | 4.48 |
| Oranges | .35 | .35 | .56 | — | .63 |
| Sugar | .48 | .43 | .72 | .73 | .90 |

— = Unknown.

Source: (4)

Table 12—Value of major imports (c.i.f.)¹

| Item | Average | |
|------------------------|---------|---------|
| | 1969-71 | 1979-81 |
| <i>Million dollars</i> | | |
| Food | 11.0 | 71.7 |
| Other consumer goods | 47.5 | 168.1 |
| Petroleum | 16.0 | 141.9 |
| Intermediate goods | 74.5 | 278.2 |
| Capital goods | 59.2 | 265.1 |
| Total | 208.6 | 925.1 |

¹Cost, insurance, and freight.

Source: (15).

Table 13—Value of major agricultural imports

| Commodity | Average | | 1982 | Projected | |
|----------------------------|---------|---------|------|-----------|------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| Million dollars | | | | | |
| Wheat | 3 | 14 | 17 | 16 | 18 |
| Corn | 0 | 6 | 4 | 6 | 8 |
| Dehydrated whole milk | 1 | 8 | 10 | 12 | 16 |
| Concentrates for beverages | 0 | 6 | 7 | 8 | 9 |
| Polished rice | 9 | 3 | 2 | 5 | 6 |
| Soybean meal | 0 | 3 | 8 | 4 | 5 |
| Milk-based baby foods | 0 | 2 | 2 | 2 | 3 |
| Cornseed | 0 | 2 | 2 | 2 | 2 |
| Beans | 0 | 2 | 2 | 2 | 2 |
| Rolled wheat and oats | 0 | 2 | 2 | 2 | 2 |
| Malt | 1 | 2 | 2 | 3 | 3 |
| Cotton | 0 | 2 | 2 | 2 | 2 |
| Cottonseed oil | 0 | 1 | 0 | 0 | 0 |
| Total food imports | 14 | 72 | 77 | 85 | 100 |
| Total agricultural imports | 22 | 91 | 100 | 110 | 130 |

Source: (9).

agricultural import items (table 13). Wheat imports increased nearly fourfold, and corn, dehydrated whole milk, beverage concentrates, and vegetable oil imports increased from near zero to significant levels. By 1980 food imports had increased by 2.5 times from 1971.

Less than 60 percent of all food imports come from the United States, but virtually all of the wheat, corn, soybean meal, other livestock feed, apples, grapes, fresh pork, and most imported cattle are now and have been U.S. products since the seventies (table 14). About 75 percent of the canned fruit imports originate in the United States, but the U.S. share for other processed foods is very small. Cotton and tobacco, which come mostly from Nicaragua and Guatemala, are the only major raw products that the United States does not export to Honduras. Costa Rica supplies much of the canned sausage and canned vegetables, and Guatemala is an important source of poultry, pork, canned fruit, chewing gum, beverage preparations, tobacco, and sauces. The European Community is the major source of dairy products.

Honduras has been eligible for P.L. 480 aid for many years because of its low per capita income and the U.S. desire to support the country's economic devel-

opment. U.S. P.L. 480 aid has ranged from \$2.5 to \$4.5 million per year since 1975, after being near \$1 million annually for almost a decade:

| Year | 1,000 dollars |
|------|---------------|
| 1970 | 792 |
| 1971 | 942 |
| 1972 | 1,218 |
| 1973 | 907 |
| 1974 | 1,118 |
| 1975 | 4,032 |
| 1976 | 3,081 |
| 1977 | 2,680 |
| 1978 | 2,345 |
| 1979 | 4,526 |
| 1980 | 3,419 |

Wheat flour, soy food products, wheat, corn, and soybean oil have been the major items under the P.L. 480 program. The country will continue to need credit for economic development and foreign exchange. Thus even larger amounts of P.L. 480 aid could be absorbed, although at some point, it might interfere with commercial imports.

Table 14—U.S. share of food imports

| Product | 1970 | 1975 | 1980 |
|-------------------------|------|------|------|
| <i>Percent of value</i> | | | |
| Cattle | 17 | 55 | 84 |
| Poultry | 77 | 59 | 64 |
| Fresh pork | 76 | 100 | 100 |
| Wheat | 100 | 99 | 100 |
| Corn and cornseed | 100 | 100 | 100 |
| Apples | 65 | 100 | 98 |
| Grapes | 100 | 98 | 99 |
| Other fresh fruit | 78 | 93 | 99 |
| Beans | 88 | 9 | 89 |
| Oilseed meal | 99 | 100 | 100 |
| Other livestock feed | 52 | 67 | 100 |
| Raw tobacco | 10 | 3 | 0 |
| Raw cotton | 0 | 0 | 0 |
| Processed products: | | | |
| Canned sausage | 2 | 12 | 7 |
| Condensed milk | 21 | 8 | 1 |
| Dried milk | 9 | 1 | 1 |
| Butter | 1 | 3 | 6 |
| Milk-based baby formula | 32 | 1 | 6 |
| Rolled wheat and oats | 22 | 5 | 7 |
| Canned fruit | 73 | 84 | 76 |
| Potato flour | 5 | 97 | 89 |
| Chewing gum | 1 | 19 | 5 |
| Candies | 10 | 65 | 65 |
| Sauces | 1 | 29 | 74 |
| Beverage preparations | 20 | 26 | 22 |
| Total food imports | 18 | 62 | 56 |

Source: Calculated from (9).

The 3-percent-per-annum population growth will push up food demand and imports because per capita real income will not grow much beyond its present level at least to 1985. However, if an economic recovery follows, income growth will be translated to substantial increases in food imports because Honduras has a high income elasticity (about 1.3) with respect to imported agricultural products. By 1990 food imports may reach \$100 million compared with the \$72 million of 1979-81. As world markets for farm products recover and prices increase it will have a slight dampening effect on Honduran food imports.

Historically a 10-percent increase in real food import prices has decreased imports of food by roughly 2 percent.

Import Constraints

The Government imposes high tariffs and taxes on many food imports to protect domestic production.

The high tariff products include: processed fruits and vegetables, nominally 58 percent but effectively 450 percent; cocoa products, nominally 55 percent, effectively 175 percent; processed meats, nominally 31 percent, effectively 160 percent; tobacco, nominally 94 percent, effectively 136 percent; and baking products, nominally 35 percent, effectively 117 percent. Much lower tariff protection is given to animal and vegetable oils (1.4 percent), nonalcoholic beverages, agricultural machinery and equipment, and fertilizers. Import taxes and tariffs constitute 19 percent of Honduran Government revenues.

In 1981 Honduras resumed diplomatic relations with El Salvador after 11 years. The peace treaty of 1980 formally concluded hostilities between the two countries and potentially opened the way for increased trade. It was expected that El Salvador would take advantage of the restored commercial relations to expand its exports of manufactured goods and some farm products. Honduras and El Salvador, however, still have not implemented the commercial treaty agreed upon in 1981.

The Honduran Government suspended its membership in the Central American Common Market after the 1969 war with El Salvador. However, it never formally withdrew from the organization and instead negotiated a series of bilateral agreements with Guatemala, Nicaragua, and Costa Rica to maintain preferential status with them. Recently Honduras again became a formal participant in the Common Market but still continued its bilateral arrangements.

Commodity Trade in the Eighties

Wheat, corn, rice, dehydrated whole milk, concentrates for beverages, and soybean meal will remain the major agricultural imports through the eighties, and bananas, coffee, and beef will continue to be the major exports.

Based on projections of production, consumption, and trade of major commodities, including assumptions about growth in income, population, and domestic

agricultural production, the commodity outlook is as follows:

Wheat, which is not produced domestically, is Honduras's leading food import item, reaching 85,000 tons in 1982. In some years, flour and semolina have supplemented wheat imports. The United States supplies most of the wheat consumed. The bulk of U.S. sales have been commercial. In 1975 and 1979, the United States shipped 10,000 and 13,000 tons, respectively, of wheat under P.L. 480, and in most years, has shipped some wheat flour. In 1981 France, Argentina, and the European Community donated some wheat. Some flour was imported from Canada, and processed wheat products came from Guatemala and Nicaragua. Beginning in 1981 wheat carries three import taxes: a wheat tax of \$4.20 per ton; an 8-percent *ad valorem* FOB tax; and a 5-percent import duty. This makes wheat products more expensive than they would be otherwise and tends to reduce consumption. Analysis shows that wheat products compete to some degree with rice when relative prices change. A 10-percent change in flour prices tends to reduce the consumption of wheat products by 10 percent.

Wheat is estimated to have an income elasticity of 0.55; that is, every 10-percent change in the real per capita income results in a 5.5-percent change in the per capita consumption of wheat. Thus as incomes have grown, per capita consumption of wheat products has increased to reach 19.1 kilograms per person in 1979-81 compared with 17.7 a decade earlier (table 15).

Even with an income elasticity of 0.55, per capita consumption of wheat products will remain at their present level because little or no growth in income is expected. However, because of population growth, total wheat consumption could reach 95,000 tons by 1990, and all of this will be imported, mostly from the United States.

Rice import prospects are declining as domestic production grows. If production continues to expand as in the late seventies, Honduras will eventually be self-sufficient in this crop. Most rice is not currently irrigated, and its potential for yield increases lies with irrigation which can be expanded. Rice is a popular food for both low-income farmers and urban consumers. A significant shift in consumption followed increased domestic production and reduced prices in the early seventies.

Table 15—Consumption and imports of wheat

| Item | Average | | 1982 | Projected | |
|------------------------|---------|---------|------|-----------|------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| <i>1,000 tons</i> | | | | | |
| Imports | 46 | 72 | 85 | 81 | 95 |
| Consumption | 46 | 73 | 88 | 81 | 95 |
| <i>Kilograms</i> | | | | | |
| Per capita consumption | 17.7 | 19.1 | 19.0 | 18.5 | 18.5 |

Source: (13).

Per capita consumption of rice increased about 0.2 kilogram per year during the seventies, reaching nearly 11 kilograms per person in 1979-81 (table 16). Analyses indicate that rice consumption reacts to relative flour and rice price changes, but as long as their relative prices do not change in the long run, then neither will demand change.

Recent trends indicate that the future of Honduras as an import market for rice is limited, although when imports do occur, the United States will probably be the primary supplier.

White corn is a staple in the Honduran diet and is also the most important grain produced. Per capita consumption declined during the seventies to about 75

Table 16—Production, consumption, and imports of milled rice

| Item | Average | | 1982 | Projected | |
|------------------------|---------|---------|------|-----------|------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| 1,000 tons | | | | | |
| Production | 4 | 36 | 40 | 44 | 50 |
| Consumption | 13 | 40 | 42 | 46 | 53 |
| Imports | 9 | 4 | 2 | 1 | 3 |
| Kilograms | | | | | |
| Per capita consumption | 5.0 | 10.8 | 10.6 | 10.5 | 10.5 |

Source: (13).

Table 17—Production, consumption, and trade of corn

| Item | Average | | 1982 | Projected | |
|-------------------------------|---------|---------|------|-----------|------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| 1,000 tons | | | | | |
| Production | 345 | 352 | 375 | 390 | 415 |
| Food consumption | 260 | 288 | 300 | 300 | 300 |
| Feed use | 69 | 112 | 125 | 150 | 190 |
| Net stock change ¹ | 5 | -16 | -30 | 0 | 0 |
| Net imports | -11 | 32 | 20 | 60 | 75 |
| Kilograms | | | | | |
| Per capita consumption | 99.9 | 75.1 | 75.2 | 66 | 60 |

¹Positive number indicates buildup of stocks.

Source: (13).

kilograms per person, and total consumption hit 300,000 tons when population grew (table 17). The income elasticity for corn used as food is estimated to be negative, but corn, rice, and beans are complementary when relative price changes occur. This indicates that corn is a staple whose consumption in the short run varies mainly according to availability and price and in the long run may decline, giving way to preferred foods, such as wheat, rice, and others.

The amount of corn used for feed is growing because of a small but expanding poultry industry. Poultry meat production has tripled since 1970 to 12,000 tons, and egg production has nearly doubled.

Except for a banner year in 1981, domestic corn production has shown little growth for two decades. Honduras exported some corn during the sixties, but in more recent years has been an importer to satisfy increased feed needs. Corn imports have been and are expected to continue to be almost exclusively of U.S. yellow corn. Increased production of grain sorghum may dampen corn imports somewhat. Based on past consumption patterns, about 300,000 tons of corn will be used for food each year through 1990.

Some growth in production is expected in acreage as well as in yields; however, imports could reach 75,000 tons by 1990.

Vegetable oil use has grown strongly since the mid-seventies and is expected to grow through the eighties. Palm oil production averaged 12,000 tons in the 1979-81 period and doubled in 1982 (table 18). Small amounts of cottonseed oil are also produced. Until recently, palm oil was also imported at the rate of about 3,000 to 5,000 tons a year, in addition to about 1,000 tons of soybean oil. In 1982, however, Honduras exported about 5,000 tons of palm oil, but total vegetable oil imports did not exceed 1,000 tons. Virtually no oilseeds are imported because of the country's limited crushing capacity.

Oilseed meal use is growing and should increase in the eighties, mostly as the small but growing commercial poultry industry expands (table 19). Domestically produced cottonseed meal, together with imported soybean meal, makes up the bulk of the meal consumed. As much as 20,000 tons of meal could be imported by 1990.

Nonfat dried milk is imported during parts of the year when dry weather reduces domestic production of fluid milk. During those seasons, dairies reconstitute milk from various imported components (table 20). Thus processed milk in one form or another is one of the larger food imports of the country and could reach 100,000 tons (fluid milk equivalent) by 1985 and 130,000 tons by 1990 if past production and consumption

Table 18—Production, consumption, and imports of vegetable oils

| Item | Average, 1969-71 | 1982 | Projected | |
|------------------------|---------------------|------|-----------|------|
| | | | 1985 | 1990 |
| 1,000 tons | | | | |
| Production: | | | | |
| Cottonseed oil | 2 | 2 | 2 | 2 |
| Palm oil | 12 | 22 | 24 | 30 |
| Imports: | | | | |
| Soybean oil | 1 | 1 | 1 | 1 |
| Cottonseed oil | 1 | 0 | 0 | 0 |
| Palm oil | 1 | -5 | 0 | 0 |
| Total consumption | 17 | 20 | 27 | 33 |
| Kilograms | | | | |
| Per capita consumption | 4.6 | 5.6 | 6.4 | 6.7 |

Source: (13).

Table 19—Production, consumption, and imports of oilseed meals

| Item | Average, 1979-81 | 1982 | Projected | |
|------------------------|---------------------|------|-----------|------|
| | | | 1985 | 1990 |
| <i>1,000 tons</i> | | | | |
| Production: | | | | |
| Cottonseed meal | 4 | 3 | 4 | 4 |
| Imports: | | | | |
| Soybean meal | 13 | 15 | 16 | 20 |
| Total meal consumption | 17 | 18 | 20 | 24 |

Source: (13).

Table 20—Production and consumption of milk

| Item | Average | | 1982 | Projected | |
|--|---------|---------|------|-----------|------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| 1,000 tons | | | | | |
| Fluid milk production | 150 | 211 | 216 | 234 | 266 |
| Condensed milk | .3 | .4 | na | na | na |
| Semisolid skim milk | .2 | .5 | na | na | na |
| Dehydrated whole milk | 2.7 | 4.8 | na | na | na |
| Processed skim milk | .5 | .3 | na | na | na |
| Dried whole milk imports (fluid equivalent) | 38 | 63 | 81 | 98 | 129 |
| Total fluid milk consumption | 188 | 274 | 297 | 332 | 395 |
| Kilograms | | | | | |
| Per capita consumption | 72 | 74 | 75 | 76 | 78 |

na = not available.

Source: (13).

tion trends continue. Most of the growth in imports will likely continue to come from the European Community.

Honduras raises the same breed of animal for dairy and meat, which limits the production potential for milk. In 1981 50 Holstein heifers and 80 Brown Swiss heifers were purchased to improve dairy herds. Purebred cattle were also purchased during the sixties and early seventies. Honduras has three dairies, the largest of which processes about 120,000 liters per day.

Bananas have traditionally been the major export crop and have accounted for about 65 percent of total agricultural exports. Most bananas are shipped to the United States. Less than 10 percent of the crop is eaten in the country; per capita consumption is 36 kilograms per person (table 21). FAO estimates waste at 19 percent, and feed use for hogs at 7 percent. Recent declines in production and exports are traced to bad weather and some acreage reductions by the U.S.-owned Standard Fruit Company. Nevertheless, Honduras is expected to remain in the banana market, maintaining its exports at about 900,000 tons if present trends continue.

Coffee, exported as beans, temporarily replaced bananas as the leading export item and foreign exchange earner in recent years because of high coffee prices. Under more normal price situations, coffee is the number two export earner. The country has an International Coffee Organization export quota of 757,000 bags but also exports outside of this. In 1981, as an inducement to exporters, the Government reduced the export tax by 40 percent to nontraditional customers. In 1982 the tax dropped another 50 percent.

Coffee production has more than doubled since 1970, but problems with coffee rust may eventually limit production (table 22). Backed by the Agency for International Development, programs have been developed to help farmers make a transition to more advanced

Table 21—Production, consumption, and exports of bananas

| Item | Average | | 1982 | Projected | |
|-----------------------------|---------|---------|-------|-----------|-------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| <i>1,000 tons</i> | | | | | |
| Production | 1,360 | 1,392 | 1,350 | 1,400 | 1,480 |
| Feed and waste ¹ | 353 | 361 | 351 | 364 | 377 |
| Consumption | 95 | 134 | 99 | 136 | 173 |
| Net exports | 912 | 897 | 900 | 900 | 900 |
| <i>Kilograms</i> | | | | | |
| Per capita consumption | 35.9 | 36.3 | 25.0 | 31.1 | 34.1 |

¹Estimated at 26 percent of production.

Source: (13).

Table 22—Production, consumption, and exports of coffee

| Item | Average | | 1982 | Projected | |
|---------------------------|---------|---------|-------|-----------|-------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| 1,000 tons | | | | | |
| Production | 524 | 1,210 | 1,370 | 1,150 | 1,300 |
| Consumption and stocks | 46 | 201 | 315 | 200 | 200 |
| Exports | 469 | 1,009 | 1,055 | 950 | 1,100 |

Source: (13).

production methods. Trends indicate some future expansion in coffee production, but domestic consumption will remain fairly level.

Thirty private companies handle coffee exports. The largest is the Federation of Honduran Coffee Cooperatives, which was responsible for 27 percent of all coffee exports in 1981. The United States takes about one-third of Honduran exported coffee.

Beef, mostly grass-fed, became a leading export commodity in the seventies, although feeder cattle had been exported before then. Production gains have been channeled into the export market to earn foreign exchange (table 23). The United States buys most of the beef, but exports have recently slowed because of low U.S. prices. Feeder cattle still flow to El Salvador, Guatemala, and Nicaragua depending on relative prices between the countries. Much of this trade, however, is illegal. Beef exports, currently at around 35,000 tons

per year, are expected to rise moderately to perhaps 40,000 tons by 1990.

Most cattle are dual-purpose breeds for both milk and meat. The typical marketing pattern finds producers selling their cattle during the late February dry season even when prices are low. Cattle enter the export market through seven privately owned slaughter-for-export meatpacking plants, two of which are not operating. No price intervention exists in the export market so meat packers buy at whatever price is necessary to obtain their supply for export. Retail red meat prices were controlled from 1973 until January 1982.

The 1979-81 average per capita consumption of beef was only 6 kilograms, and pork consumption hit 3 kilograms. Beef consumption will rise somewhat with population growth, but most of the growth in production will be channeled to the export market. Even though one can expect some cycles, beef production is not likely to increase faster than trends indicate.

Sugar production grew steadily throughout the seventies and became a major export item (table 24). Honduras has a basic International Sugar Agreement quota of 70,000 tons and a U.S. quota of about 100,000 tons. This will be allowed to enter duty-free in accordance with the Caribbean Basin Initiative. The Government is heavily involved in producing sugar, controlling prices, and holding most of the stock in three of the four new sugar companies which were established in 1974. Sugar is subsidized at prices well below producer prices to consumers through sales at Government stores.

Table 23—Production, consumption, and exports of beef

| Item | Average | | 1982 | Projected | |
|-------------|---------|---------|------|-----------|------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| 1,000 tons | | | | | |
| Production | 32 | 58 | 57 | 63 | 71 |
| Consumption | 14 | 22 | 24 | 27 | 31 |
| Net exports | 18 | 36 | 33 | 36 | 40 |

Kilograms

| | | | | | |
|------------------------|-----|-----|-----|-----|-----|
| Per capita consumption | 5.3 | 6.0 | 6.1 | 6.2 | 6.2 |
|------------------------|-----|-----|-----|-----|-----|

Source: (13).

Table 24—Production, consumption, and exports of sugar

| Item | Average | | 1982 | Projected | |
|-------------|---------|---------|------|-----------|------|
| | 1969-71 | 1979-81 | | 1985 | 1990 |
| 1,000 tons | | | | | |
| Production | 54 | 177 | 218 | 250 | 260 |
| Consumption | 46 | 109 | 128 | 140 | 160 |
| Net exports | 7 | 67 | 90 | 110 | 100 |

Kilograms

| | | | | | |
|------------------------|----|----|----|----|----|
| Per capita consumption | 17 | 29 | 32 | 32 | 32 |
|------------------------|----|----|----|----|----|

Source: (13).

Population growth alone will likely push consumption up to 160,000 tons in 1980, 60 percent above the current level. Even at this level, per capita consumption will remain steady because income is not expected to grow much. Harvested sugarcane area is projected to increase at the same rate as in the recent past, generating the growth in production. There is little reason to believe, at this time, that the growth in sugar production or sugar exports will accelerate as a result of the modest incentive provided by the Caribbean Basin Initiative.

Conclusions

Agricultural imports, mostly of basic commodities, will show some growth in the eighties. Population growth will be the major force behind a steady increase in consumption and food import demand. However, little acceleration is expected until perhaps the end of the decade because per capita real income is expected to show no significant growth until then (table 25).

The basic assumptions for these contentions are:

- Population growth will continue to increase at about 3 percent per year. Real GDP will increase, at best, at 3 percent per year, so that per capita real income will remain virtually unchanged.
- Foreign reserves will remain at their current modest levels, propped up by large infusions of foreign capital, and long-term loans such as P.L. 480.
- Domestic per capita food production will remain at the 1980 level.
- Real import prices will remain at their 1980 level, and relative prices among commodities will show no significant change in the long run.

These factors combined should generate an overall agricultural import demand of about \$130 million in 1990. A modest U.S. market development effort and competitive prices should mean an export market of \$75 million for U.S. agricultural products in Honduras.

The United States is expected to continue as the major or sole supplier of grain and oilseed products. U.S. exporters may find some small but growing possibilities for shipments of baby chicks and livestock feeds for

Table 25—Honduran agricultural imports

| Imports | Average, 1979-81 | Projected | |
|------------------------------------|---------------------|-------------------|------|
| | | 1985 | 1990 |
| | | <i>1,000 tons</i> | |
| Wheat | 73 | 81 | 94 |
| Corn | 32 | 30 | 45 |
| Rice | 4 | 2 | 3 |
| Oilseed meal | 13 | 16 | 20 |
| Vegetable oil | 3 | 1 | 1 |
| Dried milk | 6 | 9 | 11 |
| Nonalcoholic beverage concentrates | 2 | 3 | 4 |

Honduras's infant poultry industry. Despite a limited income growth, the country is turning increasingly to poultry as a source of low-cost animal protein. (The Honduran diet is low in animal protein.) Honduras is also likely to continue to import breeding stock to improve the quality of its cattle herds.

In addition to the major commodities, Honduras is a million-dollar market for butter, cookies, tobacco, cotton, malt, and seed corn, but of these, the United States has supplied only seed corn. The fresh fruit market is still small, but apples and grapes from the United States have a high preference.

In contrast, the United States will have little access to the dried milk and nonalcoholic beverage concentrate markets. U.S. dried milk prices are not competitive with the product imported from the European Community. Beverage concentrates are mostly imported from neighboring countries. The European Community subsidizes its dairy exports heavily, and the Central American Common Market countries honor reduced tariffs and preferences among the members.

The slow economic growth and several demographic factors must be considered in a market development strategy for Honduras. Income is the lowest in Central America and is accompanied by a low 60-percent literacy rate; thus consumption patterns will continue to be quite traditional and simple for much of society. Refrigeration is limited, and traditional methods of food preparation are not compatible with the needs for many of the U.S. high-value processed foods. Traditional staples are therefore likely to continue as the

mainstay of the national diet, although the wealthier part of society—about 10 percent—is not so constrained.

Urbanization and the growth of an urban-wage earning class will change consumer patterns moderately but still will not provide a strong base of demand for other than traditional foods prepared largely in the home.

The main barriers to trade include a set of very high import levies and taxes for processed foods, which are not likely to be removed soon because they are an important source of government revenue as well as a means to ration foreign exchange. In addition, these trade barriers are intended to protect and encourage the development of a domestic food industry and increase employment.

Honduras's bilateral agreements with neighboring countries will impose some limit on U.S. trade unless

border conflicts force Honduras to seek alternate import sources.

Opportunities for U.S. trade would be enhanced by a strong economic development program and improved income distribution, which provide at least some justification for a continued program of U.S. development assistance. Information on improved technology and the use of modern inputs such as feedstuffs could also lead to increased imports, particularly at a time when Honduras is developing its poultry industry. This would also have appeal to Honduras because it creates opportunities and employment. Increasing consumer awareness of low-cost basic foodstuffs could help increase U.S. trade possibilities, and P.L. 480 aid will be desirable as long as foreign exchange is scarce and economic development is of mutual benefit to the United States and to Honduras.

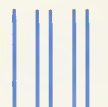
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